Congressional Oversight Panel

March 11, 2010

Accounting for the Troubled Asset Relief Program

Excerpted from the Congressional Oversight Panel's March 2010 report, "The Unique Treatment of GMAC Under TARP."

Submitted under Section 125(b)(1) of Title 1 of the Emergency Economic Stabilization Act of 2008, Pub. L. No. 110-343

The TARP as a Whole

Each month, the Panel summarizes the resources that the federal government has committed to economic stabilization. The following financial update provides: (1) an updated accounting of the TARP, including a tally of dividend income, repayments, and warrant dispositions that the program has received as of February 25, 2010; and (2) an updated accounting of the full federal resource commitment as of February 25, 2010.

1. The TARP

a. Costs: Expenditures and Commitments

Treasury has committed or is currently committed to spend $520.3 billion of TARP funds through an array of programs used to purchase preferred shares in financial institutions, offer loans to small businesses and automotive companies, and leverage Federal Reserve loans for facilities designed to restart secondary securitization markets.[568] Of this total, $290.5 billion is currently outstanding under the $698.7 billion limit for TARP expenditures set by EESA, leaving $408.2 billion available for fulfillment of anticipated funding levels of existing programs and for funding new programs and initiatives. The $290.5 billion includes purchases of preferred and common shares, warrants and/or debt obligations under the CPP, AIGIP/SSFI Program, PPIP, and AIFP; and a $20 billion loan to TALF LLC, the special purpose vehicle (SPV) used to guarantee Federal Reserve TALF loans.[569] Additionally, Treasury has allocated $36.9 billion to the Home Affordable Modification Program, out of a projected total program level of $48.5 billion.

b. Income: Dividends, Interest Payments, CPP Repayments, and Warrant Sales

As of February 25, 2009, a total of 65 institutions have completely repurchased their CPP preferred shares. Of these institutions, 39 have repurchased their warrants for common shares that Treasury received in conjunction with its preferred stock investments; Treasury sold the warrants for common shares for three other institutions at auction.[570] Treasury received $7.9 billion in repayments from six CPP participants during February. The largest repayment was the $7.6 billion repaid by PNC Financial Services Group. Treasury also accounted for losses under the CPP for two of the three bankrupt institutions participating in the program: CIT Group and Pacific Coast National Bancorp. These two institutions received a total of $2.3 billion in funds

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[568] EESA, as amended by the Helping Families Save Their Homes Act of 2009, limits Treasury to $698.7 billion in purchasing authority outstanding at any one time as calculated by the sum of the purchases prices of all troubled assets held by Treasury. Pub. L. No. 110-343, § 115(a)-(b); Helping Families Save Their Homes Act of 2009, Pub. L. No. 111-22, § 402(f) (reducing by $1.26 billion the authority for the TARP originally set under EESA at $700 billion).

[569] Treasury Transactions Repot, *supra* note 264.

[570] Treasury Transactions Repot, *supra* note 264.

under the CPP.[571] In addition, Treasury receives dividend payments on the preferred shares that it holds, usually five percent per annum for the first five years and nine percent per annum thereafter.[572] Net of these losses under the CPP, Treasury has received approximately $18.8 billion in income from warrant repurchases, dividends, interest payments, and other considerations deriving from TARP investments,[573] and another $1.2 billion in participation fees from its Guarantee Program for Money Market Funds.[574]

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[571] Treasury Transactions Repot, *supra* note 264.

[572] *See, e.g.*, U.S. Department of the Treasury, *Securities Purchase Agreement: Standard Terms* (online at www.financialstability.gov/docs/CPP/spa.pdf) (accessed Mar. 4, 2010).

[573] Treasury Transactions Repot, *supra* note 264; U.S. Department of the Treasury, *Cumulative Dividends and Interest Report as of December 31, 2009* (Jan. 20, 2010) (online at www.financialstability.gov/docs/dividends-interest-reports/December%202009%20Dividends%20and%20Interest%20Report.pdf); Treasury Transactions Repot, *supra* note 264.

[574] For CPP investments in privately-held institutions, Treasury received warrants to purchase additional preferred shares. This option was excercised immediately and, as of February 25, 2010, six privately held institutions redeemed the additional preferred shares associated with the warrants provided to Treasury. U.S. Department of the Treasury, *Treasury Announces Expiration of Guarantee Program for Money Market Funds* (Sept. 18, 2009) (online at www.treasury.gov/press/releases/tg293.htm).

c. TARP Accounting

Figure 24: TARP Accounting (as of February 25, 2010)[575]

TARP Initiative	Anticipated Funding *(billions of dollars)*	Actual Funding *(billions of dollars)*	Total Repayments/ Reduced Exposure *(billions of dollars)*	Funding Outstanding *(billions of dollars)*	Funding Available *(billions of dollars)*
Capital Purchase Program (CPP)[576]	$204.9	$204.9	$129.8	[577]$75.1	$0
Targeted Investment Program (TIP) [578]	40.0	40.0	40	0	0
AIG Investment Program (AIGIP)/Systemically Significant Failing Institutions Program (SSFI)	69.8	[579]46.9	0	46.9	22.9
Automobile Industry Financing Program (AIFP)	81.3	81.3	3.2	78.2	0
Asset Guarantee Program (AGP) [580]	5.0	5.0	[581]5.0	0	0

[575] Treasury Transactions Repot, *supra* note 264.

[576] As of December 31, 2009, the CPP was closed. U.S. Department of the Treasury, *FAQ on Capital Purchase Program Deadline* (online at www.financialstability.gov/docs/FAQ%20on%20Capital%20Purchase%20Program%20Deadline.pdf).

[577] Treasury classified the investments it made in two institutions, CIT Group ($2.3 billion) and Pacific Coast National Bancorp ($4.1 million), as losses on the Transactions Report. Therefore Treasury's net current CPP investment is $72.7 billion due to the $2.3 billion in losses thus far. Treasury Transactions Report, *supra* note 264.

[578] Both Bank of America and Citigroup repaid the $20 billion in assistance each institution received under the TIP on December 9 and December 23, 2009, respectively. Therefore the Panel accounts for these funds as repaid and uncommitted. U.S. Department of the Treasury, *Treasury Receives $45 Billion in Repayments from Wells Fargo and Citigroup* (Dec. 23, 2009) (online at www.treas.gov/press/releases/20091229716198713.htm) (hereinafter "Treasury Receives $45 Billion from Wells Fargo and Citigroup").

[579] Data provided by Treasury in response to a Panel request. AIG has completely utilized the $40 billion made available on November 25, 2008 and has drawn-down $5.3 billion of the $29.8 billion made available on April 17, 2009. This figure also reflects $1.6 billion in accumulated but unpaid dividends owed by AIG to Treasury due to the restructuring of Treasury's investment from cumulative preferred shares to non-cumulative shares. Treasury Transactions Report, *supra* note 264.

[580] Treasury, the Federal Reserve, and the Federal Deposit Insurance Company terminated the asset guarantee with Citigroup on December 23, 2009. The agreement was terminated with no losses to Treasury's $5 billion second-loss portion of the guarantee. Citigroup did not repay any funds directly, but instead terminated Treasury's outstanding exposure on its $5 billion second-loss position. As a result, the $5 billion is now counted as available. Treasury Receives $45 Billion from Wells Fargo and Citigroup, *supra* note 578.

[581] Although this $5 billion is no longer exposed as part of the AGP and is accounted for as available, Treasury did not receive a repayment in the same sense as with other investments. Treasury did receive other income as consideration for the guarantee, which is not a repayment and is accounted for in Figure 25.

Capital Assistance Program (CAP) [582]	0	0	0	0	0
Term Asset-Backed Securities Lending Facility (TALF)	20.0	20.0	0	20.0	0
Public-Private Investment Partnership (PPIP)[583]	30.0	30.0	0	30.0	0
Auto Supplier Support Program (ASSP)	[584]3.5	3.5	0	3.5	0
Unlocking SBA Lending	15.0	0	0	0	15.0
Home Affordable Modification Program (HAMP)	[585]48.5	[586]36.9	0	36.9	11.6
Community Development Capital Initiative (CDCI)	[587]0.78	0	0	0	0.78
Help for Hardest Hit Housing Markets (4HM)[588]	1.5	0	0	0	1.5
Total Committed	520.3	468.5	–	290.5	51.8

[582] On November 9, 2009, Treasury announced the closing of this program and that only one institution, GMAC, was in need of further capital from Treasury. GMAC received an additional $3.8 billion in capital through the AIFP on December 30, 2009. Treasury Announcement Regarding the CAP, *supra* note **Error! Bookmark not defined.**; Treasury Transactions Report, *supra* note 264.

[583] On January 29, 2010, Treasury released its first quarterly report on the Legacy Securities Public-Private Investment Program. As of that date, the total value of assets held by the PPIP managers was $3.4 billion. Of this total, 87 percent was non-agency Residential Mortgage-Backed Securities and the remaining 13 percent was Commercial Mortgage-Backed Securities. U.S. Department of the Treasury, *Legacy Securities Public-Private Investment Program* (Jan. 29, 2010) (online at www.financialstability.gov/docs/External%20Report%20-%2012-09%20FINAL.pdf).

[584] On July 8, 2009, Treasury lowered the total commitment amount for the program from $5 billion to $3.5 billion. This action reduced GM's portion from $3.5 billion to $2.5 billion and Chrysler's portion from $1.5 billion to $1 billion. GM Supplier Receivables LLC, the special purpose vehicle created to administer this program for GM suppliers, has made $240 million in partial repayments. This was a partial repayment of funds that were drawn down and did not reduce Treasury's $3.5 billion in total exposure under the ASSP. Treasury Transactions Report, *supra* note 264.

[585] In information provided to TARP oversight bodies, Treasury has stated that the $1.5 billion for the newly created "Help for Hardest Hit Housing Markets" will be taken from the $50 billion in TARP funding committed to foreclosure mitigation.

[586] This figure reflects the total of all the caps set on payments to each mortgage servicer and not the disbursed amount of funds for successful modifications. Treasury Transactions Report, *supra* note **Error! Bookmark not defined.**. In response to a Panel inquiry, Treasury disclosed that, as of January 10, 2010, $32 million in funds had been disbursed under the HAMP.

[587] On February 3, 2010, the Administration announced a new initiative under TARP to provide low-cost financing for Community Development Financial Institutions (CDFIs). Under this program, CDFIs are eligible for capital investments at a 2 percent dividend rate as compared to the 5 percent dividend rate under the CPP. In response to a Panel request, Treasury stated that it projects the CDCI program to utilize $780.2 million; U.S Department of the Treasury, *Community Development Capital Initiative* (Feb. 18, 2010) (online at www.financialstability.gov/roadtostability/comdev.html).

[588] On February 19, 2010, President Obama announced 4HM, a plan to use $1.5 billion of the $50 billion in TARP funds allocated to HAMP to assist the five states with the highest home price declines stemming from the foreclosure crisis: Nevada, California, Florida, Arizona, and Michigan. President Announces Help for Housing Markets, *supra* note 552. For further discussion of this initiative, *see* Section Four of this report.

Total Uncommitted	178.4	N/A	178.0	N/A	[589] 356.4
Total	**$698.7**	**$468.5**	**$178.0**	**$290.5**	**$408.2**

Figure 25: TARP Profit and Loss

TARP Initiative	Dividends[590] (as of 1/31/10) *(millions of dollars)*	Interest[591] (as of 1/31/10) *(millions of dollars)*	Warrant Repurchases (as of 3/4/10) *(millions of dollars)*	Other Proceeds (as of 2/25/10) *(millions of dollars)*	Losses[592] as of 2/25/10 *(millions of dollars)*	Total *(millions of dollars)*
Total	$12,502	$478	$5,587	$2,531	($2,334)	$18,764
CPP	8,283	18	[593] 5,572	–	(2,334)	11,539
TIP	3,004	N/A	0	–		3,004
AIFP	936	443	15	–		1,394
ASSP	N/A	13	N/A	–		13
AGP	277	N/A	0	[594] 2,234		2,511
PPIP	2	4	N/A	21		27
Bank of America Guarantee	–	–	–	[595] 276		276

589 This figure is the sum of the uncommitted funds remaining under the $698.7 billion cap ($178.4 billion) and the repayments ($178 billion).

590 OFS Cumulative Dividends Report as of January 31, 2010, *supra* note 531.

591 OFS Cumulative Dividends Report as of January 31, 2010, *supra* note 531.

592 Treasury classified the investments it made in two institutions, CIT Group ($2.3 billion) and Pacific Coast National Bancorp ($4.1 million), as losses on the Transactions Report. A third institution, UCBH Holdings, Inc., received $299 million in TARP funds and is currently in bankruptcy proceedings. Treasury Transactions Report, *supra* note 264.

593 This figure is comprised of the $4.03 billion in proceeds from warrant dispositions as of February 25, 2010, andthe $1.54 billion in funds from the auction of Bank of America warrants completed on March 4, 2010. Treasury Transactions Report, *supra* note 264; U.S. Department of the Treasury, *Treasury Department Announces Public Offerings of Warrants to Purchase Common Stock of Bank of America Corporation* (Mar. 4, 2010) (online at www.financialstability.gov/latest/pr_03042010.html).

594 Treasury received $4.03 billion in Citigroup preferred stock and warrants as a fee for taking a second-loss position up to $5 billion on a $301 billion pool of ring-fenced Citigroup assets as part of the AGP; Treasury exchanged these preferred stocks for TruPs in June 2009. Following the early termination of the guarantee, Treasury cancelled $1.8 billion of the TruPs, leaving Treasury with a $2.23 billion investment in Citigroup TruPs in exchange for the guarantee. At the end of Citigroup's participation in the FDIC's TLGP, the FDIC may transfer $800 million of $3.02 billion in Citigroup Trust Preferred Securities it received in consideration for its role in the AGP to the Treasury. Treasury Transactions Report, *supra* note 264.

595 Although Treasury, the Federal Reserve, and the FDIC negotiated with Bank of America regarding a similar guarantee, the parties never reached an agreement. In September 2009, Bank of America agreed to pay each of the prospective guarantors a fee as though the guarantee had been in place during the negotiations. This agreement resulted in payments of $276 million to Treasury, $57 million to the Federal Reserve, and $92 million to the FDIC. U.S. Department of the Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Bank of America Corporation, *Termination Agreement*, at 1-2 (Sept. 21, 2009) (online at www.financialstability.gov/docs/AGP/BofA%20-%20Termination%20Agreement%20-%20executed.pdf).

d. Rate of Return

As of March 4, 2010, the average internal rate of return for all financial institutions that participated in the CPP and fully repaid the U.S. government (including preferred shares, dividends, and warrants) is 10.6 percent. The internal rate of return is the annualized effective compounded return rate that can be earned on invested capital.

e. TARP Warrant Disposition

Figure 26: Warrant Repurchases for Financial Institutions who have Fully Repaid CPP Funds as of March 4, 2010

Institution	Investment Date	QEO	Warrant Repurchase Date	Warrant Repurchase/Sale Amount	Panel's Best Valuation Estimate at Repurchase Date	Price/Estimate Ratio	IRR
Old National Bancorp	12/12/2008	No	5/8/2009	1,200,000	2,150,000	0.5581	9.30%
Iberiabank Corporation	12/5/2008	Yes	5/20/2009	1,200,000	2,010,000	0.5970	9.40%
Firstmerit Corporation	1/9/2009	No	5/27/2009	5,025,000	4,260,000	1.1796	20.30%
Sun Bancorp, Inc	1/9/2009	No	5/27/2009	2,100,000	5,580,000	0.3763	15.30%
Independent Bank Corp.	1/9/2009	No	5/27/2009	2,200,000	3,870,000	0.5685	15.60%
Alliance Financial Corporation	12/19/2008	No	6/17/2009	900,000	1,580,000	0.5696	13.80%
First Niagara Financial Group	11/21/2008	Yes	6/24/2009	2,700,000	3,050,000	0.8852	8.00%
Berkshire Hills Bancorp, Inc.	12/19/2008	No	6/24/2009	1,040,000	1,620,000	0.6420	11.30%
Somerset Hills Bancorp	1/16/2009	No	6/24/2009	275,000	580,000	0.4741	16.60%
SCBT Financial Corporation	1/16/2009	No	6/24/2009	1,400,000	2,290,000	0.6114	11.70%
HF Financial Corp	11/21/2008	No	6/30/2009	650,000	1,240,000	0.5242	10.10%
State Street	10/28/2008	Yes	7/8/2009	60,000,000	54,200,000	1.1070	9.90%
U.S. Bancorp	11/14/2008	No	7/15/2009	139,000,000	135,100,000	1.0289	8.70%
The Goldman Sachs Group, Inc.	10/28/2008	No	7/22/2009	1,100,000,000	1,128,400,000	0.9748	22.80%
BB&T Corp.	11/14/2008	No	7/22/2009	67,010,402	68,200,000	0.9826	8.70%
American Express Company	1/9/2009	No	7/29/2009	340,000,000	391,200,000	0.8691	29.50%
Bank of New York Mellon Corp	10/28/2008	No	8/5/2009	136,000,000	155,700,000	0.8735	12.30%
Morgan Stanley	10/28/2008	No	8/12/2009	950,000,000	1,039,800,000	0.9136	20.20%
Northern Trust Corporation	11/14/2008	No	8/26/2009	87,000,000	89,800,000	0.9688	14.50%
Old Line Bancshares Inc.	12/5/2008	No	9/2/2009	225,000	500,000	0.4500	10.40%
Bancorp Rhode Island, Inc.	12/19/2008	No	9/30/2009	1,400,000	1,400,000	1.0000	12.60%
Centerstate Banks of Florida Inc.	11/21/2008	No	10/28/2009	212,000	220,000	0.9636	5.90%
Manhattan Bancorp	12/5/2008	No	10/14/2009	63,364	140,000	0.4526	9.80%
Bank of Ozarks	12/12/2008	No	11/24/2009	2,650,000	3,500,000	0.7571	9.00%
Capital One Financial	11/14/2008	No	12/3/2009	148,731,030	232,000,000	0.6411	12.00%
JP Morgan Chase & Co.	10/28/2008	No	12/10/2009	950,318,243	1,006,587,697	0.9441	10.90%
TCF Financial Corp	1/16/2009	No	12/16/2009	9,599,964	11,825,830	0.8118	11.00%
LSB Corporation	12/12/2008	No	12/16/2009	560,000	535,202	1.0463	9.00%

Wainwright Bank & Trust Company	12/19/2008	No	12/16/2009	568,700	1,071,494	0.5308	7.80%
Wesbanco Bank, Inc.	12/5/2008	No	12/23/2009	950,000	2,387,617	0.3979	6.70%
Union Bankshares Corporation	12/19/2008	Yes	12/23/2009	450,000	1,130,418	0.3981	5.80%
Trustmark Corporation	11/21/2008	No	12/30/2009	10,000,000	11,573,699	0.8640	9.40%
Flushing Financial Corporation	12/19/2008	Yes	12/30/2009	900,000	2,861,919	0.3145	6.50%
OceanFirst Financial Corporation	1/16/2009	Yes	2/3/2010	430,797	279,359	1.5421	6.20%
Monarch Financial Holdings, Inc.	12/19/2008	Yes	2/10/2010	260,000	623,434	0.4170	6.70%
Bank of America	[29]10/28/2008 [30]1/9/2009 [31]1/14/2009	No	3/3/2010	1,542,717,553	1,006,416,684	1.5329	6.50%
Total				**$5,567,737,053**	**$5,373,683,352**	**1.0361**	**10.60%**

[29] Investment date for Bank of America in CPP.

[30] Investment date for Merrill Lynch in CPP.

[31] Investment date for Bank of America in TIP.

Figure 27: Warrant Valuation of Remaining Warrants

	Warrant Valuation *(millions of dollars)*		
	Low Estimate	**High Estimate**	**Best Estimate**
Stress Test Financial Institutions with Warrants Outstanding:			
Wells Fargo & Company	$511.52	$2,184.69	$668.21
Citigroup, Inc.	17.33	660.59	144.36
The PNC Financial Services Group, Inc.	116.03	402.14	183.17
SunTrust Banks, Inc.	20.53	278.35	95.02
Regions Financial Corporation	15.30	166.93	69.56
Fifth Third Bancorp	122.37	385.90	179.47
Hartford Financial Services Group, Inc.	812.43	1,017.87	812.43
KeyCorp	20.31	164.16	60.62307167
All Other Banks with Outstanding Warrants	874.40	2,711.59	1,671.03
Total	**$2,510.23**	**$7,972.22**	**$3,883.87**

2. Other Financial Stability Efforts

Federal Reserve, FDIC, and Other Programs

In addition to the direct expenditures Treasury has undertaken through the TARP, the federal government has engaged in a much broader program directed at stabilizing the U.S. financial system. Many of these initiatives explicitly augment funds allocated by Treasury under specific TARP initiatives, such as FDIC and Federal Reserve asset guarantees for Citigroup, or operate in tandem with Treasury programs, such as the interaction between the PPIP and the TALF. Other programs, like the Federal Reserve's extension of credit through its section 13(3) facilities and SPVs and the FDIC's TLGP, operate independently of the TARP.

Figure 28 below reflects the changing mix of Federal Reserve investments. As the liquidity facilities established to face the crisis have been wound down, the Federal Reserve has expanded its facilities for purchasing mortgage related securities. The Federal Reserve announced that it intends to purchase $175 billion of federal agency debt securities and $1.25 trillion of agency mortgage-backed securities.[336] As of February 25, 2010, $166 billion of federal agency (government-sponsored enterprise) debt securities and $1 trillion of agency mortgage-backed securities have been purchased. The Federal Reserve has announced that these

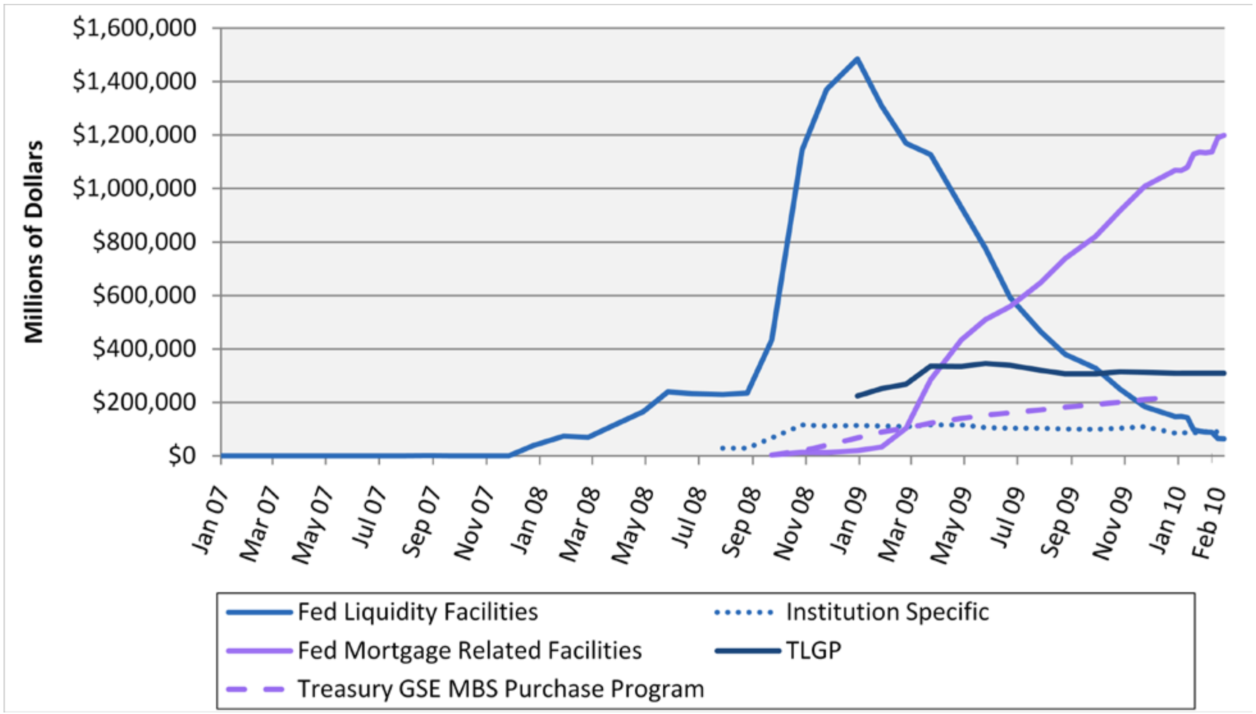
[336] Board of Governors of the Federal Reserve System, *Minutes of the Federal Open Market Committee*, at 10 (Dec. 15-16, 2009) (online at www.federalreserve.gov/newsevents/press/monetary/fomcminutes20091216.pdf) ("[T]he Federal Reserve is in the process of purchasing $1.25 trillion of agency mortgage-backed securities and about $175 billion of agency debt").

purchases will be completed by April 2010.[337] These purchases are in addition to the $214.4 billion in GSE MBS Treasury purchased under the GSE Mortgage-Backed Securities Purchase Program prior to the program's closing on December 31, 2009.[338]

[337] Board of Governors of the Federal Reserve System, *FOMC Statement* (Dec. 16, 2009) (online at www.federalreserve.gov/newsevents/press/monetary/20091216a.htm) ("In order to promote a smooth transition in markets, the Committee is gradually slowing the pace of these purchases, and it anticipates that these transactions will be executed by the end of the first quarter of 2010"); Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances* (Mar. 4, 2010) (online at www.federalreserve.gov/Releases/H41/Current/).

[338] Treasury received $36 billion in principal and interest payments from these securities. U.S. Department of the Treasury, *2009 Financial Report of the United States Government*, at vii (updated Mar. 4, 2010) (online at www.fms.treas.gov/fr/09frusg/09frusg.pdf).

Figure 28: Other Federal Government Financial Stability Efforts (as of February 24, 2010)[339]



3. Total Financial Stability Resources (as of December 31, 2009)

Beginning in its April 2009 report, the Panel broadly classified the resources that the federal government has devoted to stabilizing the economy through myriad new programs and initiatives as outlays, loans, or guarantees. Although the Panel calculates the total value of these resources at nearly $3 trillion, this would translate into the ultimate "cost" of the stabilization

339 Federal Reserve Liquidity Facilities include: Primary credit, Secondary credit, Central Bank Liquidity Swaps, Primary dealer and other broker-dealer credit, Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, Net portfolio holdings of CPFF, Seasonal credit, Term auction credit, Term Asset-Backed Securities Loan Facility. Federal Reserve Mortgage Related Facilities include: Federal agency debt securities and Mortgage-backed securities held by the Federal Reserve. Institution Specific Facilities include: Credit extended to American International Group, Inc., and the net portfolio holdings of Maiden Lanes I, II, and III. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (online at www.federalreserve.gov/datadownload/Choose.aspx?rel=H41) (accessed Mar. 4, 2010). For related presentations of Federal Reserve data, *see* Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 2 (Feb. 2010) (online at federalreserve.gov/monetarypolicy/files/monthlyclbsreport201002.pdf). The TLGP figure reflects the monthly amount of debt outstanding under the program. Federal Deposit Insurance Corporation, *Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program* (Dec. 2008-Dec. 2009) (online at www.fdic.gov/regulations/resources/TLGP/reports.html). The total for TALF has been reduced by $20 billion throughout this exhibit in order to reflect Treasury's $20 billion first-loss position under the terms of this program. U.S. Department of the Treasury, *MBS Purchase Program: Portfolio by Month* (online at www.financialstability.gov/docs/Feb%202010%20Portfolio%20by%20month.xls) (accessed Mar. 4, 2010).

effort only if: (1) assets do not appreciate; (2) no dividends are received, no warrants are exercised, and no TARP funds are repaid; (3) all loans default and are written off; and (4) all guarantees are exercised and subsequently written off.

With respect to the FDIC and Federal Reserve programs, the risk of loss varies significantly across the programs considered here, as do the mechanisms providing protection for the taxpayer against such risk. As discussed in the Panel's November report, the FDIC assesses a premium of up to 100 basis points on TLGP debt guarantees.[340] In contrast, the Federal Reserve's liquidity programs are generally available only to borrowers with good credit, and the loans are over-collateralized and with recourse to other assets of the borrower. If the assets securing a Federal Reserve loan realize a decline in value greater than the "haircut," the Federal Reserve is able to demand more collateral from the borrower. Similarly, should a borrower default on a recourse loan, the Federal Reserve can turn to the borrower's other assets to make the Federal Reserve whole. In this way, the risk to the taxpayer on recourse loans only materializes if the borrower enters bankruptcy. The only loan currently "underwater" – where the outstanding principal amount exceeds the current market value of the collateral – is the loan to Maiden Lane LLC, which was formed to purchase certain Bear Stearns assets.

[340] November Oversight Report, *supra* note 458, at 36.

Figure 29: Federal Government Financial Stability Effort (as of February 25, 2010)

Program *(billions of dollars)*	**Treasury (TARP)**	**Federal Reserve**	**FDIC**	**Total**
Total	**$698.7**	**$1,555.2**	**$646.4**	**$2,900.3**
Outlays[i]	278.9	1,198.7	69.4	1,547
Loans	43.5	356.5	0	400
Guarantees[ii]	20	0	577	597
Uncommitted TARP Funds	356.3	0	0	356.3
AIG	**69.8**	**67.6**	**0**	**137.4**
Outlays	[iii]69.8	0	0	69.8
Loans	0	[iv]67.6	0	67.6
Guarantees	0	0	0	0
Citigroup	**25**	**0**	**0**	**25**
Outlays	[v]25	0	0	25
Loans	0	0	0	0
Guarantees	0	0	0	0
Capital Purchase Program (Other)	**50.1**	**0**	**0**	**50.1**
Outlays	[vi]50.1	0	0	50.1
Loans	0	0	0	0
Guarantees	0	0	0	0
Capital Assistance Program	**N/A**	**0**	**0**	[vii]**N/A**
TALF	**20**	**180**	**0**	**200**
Outlays	0	0	0	0
Loans	0	[ix]180	0	180
Guarantees	[viii]20	0	0	20
PPIP (Loans)[x]	**0**	**0**	**0**	**0**
Outlays	0	0	0	0
Loans	0	0	0	0
Guarantees	0	0	0	0
PPIP (Securities)	[xi]**30**	**0**	**0**	**30**
Outlays	10	0	0	10
Loans	20	0	0	20
Guarantees	0	0	0	0
Home Affordable Modification Program	**48.5**	**0**	**0**	[xiii]**48.5**
Outlays	[xii]48.5	0	0	48.5
Loans	0	0	0	0
Guarantees	0	0	0	0
Automotive Industry Financing Program	[xiv]**78.2**	**0**	**0**	**78.2**
Outlays	59	0	0	59
Loans	19.2	0	0	19.2
Guarantees	0	0	0	0
Auto Supplier Support Program	**3.5**	**0**	**0**	**3.5**
Outlays	0	0	0	0
Loans	[xv]3.5	0	0	3.5
Guarantees	0	0	0	0

Unlocking SBA Lending	[xvi]**15**	**0**	**0**	**15**
Outlays	15	0	0	15
Loans	0	0	0	0
Guarantees	0	0	0	0
Community Development Capital Initiative	**0.78**	**0**	**0**	**0.78**
Outlays	0	0	0	0
Loans	.78	0	0	.78
Guarantees	0	0	0	0
Help for Hardest Hit Housing Markets	**1.5**	**0**	**0**	**1.5**
Outlays	1.5	0	0	1.5
Loans	0	0	0	0
Guarantees	0	0	0	0
Temporary Liquidity Guarantee Program	**0**	**0**	**577**	**577**
Outlays	0	0	0	0
Loans	0	0	0	0
Guarantees	0	0	[xvii]577	577
Deposit Insurance Fund	**0**	**0**	**69.4**	**69.4**
Outlays	0	0	[xviii]69.4	69.4
Loans	0	0	0	0
Guarantees	0	0	0	0
Other Federal Reserve Credit Expansion	**0**	**1,307.6**	**0**	**1,307.6**
Outlays	0	[xix]1,198.7	0	1,198.7
Loans	0	[xx]108.9	0	108.9
Guarantees	0	0	0	0
Uncommitted TARP Funds	**356.3**	**0**	**0**	**356.3**

[i] The term "outlays" is used here to describe the use of Treasury funds under the TARP, which are broadly classifiable as purchases of debt or equity securities (e.g., debentures, preferred stock, exercised warrants, etc.). The outlays figures are based on: (1) Treasury's actual reported expenditures; and (2) Treasury's anticipated funding levels as estimated by a variety of sources, including Treasury pronouncements and GAO estimates. Anticipated funding levels are set at Treasury's discretion, have changed from initial announcements, and are subject to further change. Outlays used here represent investment and asset purchases and commitments to make investments and asset purchases and are not the same as budget outlays, which under section 123 of EESA are recorded on a "credit reform" basis.

[ii] Although many of the guarantees may never be exercised or exercised only partially, the guarantee figures included here represent the federal government's greatest possible financial exposure.

[iii] This number includes investments under the AIGIP/SSFI Program: a $40 billion investment made on November 25, 2008, and a $30 billion investment committed on April 17, 2009 (less a reduction of $165 million representing bonuses paid to AIG Financial Products employees). As of January 5, 2010, AIG had utilized $45.3 billion of the available $69.8 billion under the AIGIP/SSFI and owed $1.6 billion in unpaid dividends. This information was provided by Treasury in response to a Panel inquiry.

[iv] This number represents the full $35 billion that is available to AIG through its revolving credit facility with the Federal Reserve ($25.5 billion had been drawn down as of February 25, 2010) and the outstanding principal

of the loans extended to the Maiden Lane II and III SPVs to buy AIG assets (as of February 25, 2010, $15.2 billion and $17.4 billion respectively). Income from the purchased assets is used to pay down the loans to the SPVs, reducing the taxpayers' exposure to losses over time. Board of Governors of the Federal Reserve System, *Federal Reserve System Monthly Report on Credit and Liquidity Programs and the Balance Sheet*, at 17 (Oct. 2009) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport200910.pdf). On December 1, 2009, AIG entered into an agreement with FRBNY to reduce the debt AIG owes the FRBNY by $25 billion. In exchange, FRBNY received preferred equity interests in two AIG subsidiaries. This also reduced the debt ceiling on the loan facility from $60 billion to $35 billion. American International Group, *AIG Closes Two Transactions That Reduce Debt AIG Owes Federal Reserve Bank of New York by $25 billion* (Dec. 1, 2009) (online at phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MjE4ODl8Q2hpbGRJRD0tMXxUeXBlPTM=&t=1).

[v] As of February 4, 2009, the U.S. Treasury held $25 billion of Citigroup common stock under the CPP. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf).

[vi] This figure represents the $204.9 billion Treasury has disbursed under the CPP, minus the $25 billion investment in Citigroup ($25 billion) identified above, and the $129.8 billion in repayments that are reflected as available TARP funds. This figure does not account for future repayments of CPP investments, nor does it account for dividend payments from CPP investments. U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf).

[vii] On November 9, 2009, Treasury announced the closing of the CAP and that only one institution, GMAC, was in need of further capital from Treasury. GMAC, however, received further funding through the AIFP, therefore the Panel considers CAP unused and closed. U.S. Department of the Treasury, *Treasury Announcement Regarding the Capital Assistance Program* (Nov. 9, 2009) (online at www.financialstability.gov/latest/tg_11092009.html).

[viii] This figure represents a $20 billion allocation to the TALF SPV on March 3, 2009. However, as of February 25, 2010, TALF LLC had drawn only $103 million of the available $20 billion. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (Jan. 28, 2010) (online at www.federalreserve.gov/Releases/H41/Current/);U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf). As of January 28, 2010, investors had requested a total of $68 billion in TALF loans ($11.9 billion in CMBS and $56 billion in non-CMBS) and $66 billion in TALF loans had been settled ($11 billion in CMBS and $55 billion in non-CMBS). Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: CMBS* (accessed Mar. 4, 2010) (online at www.newyorkfed.org/markets/CMBS_recent_operations.html); Federal Reserve Bank of New York, *Term Asset-Backed Securities Loan Facility: non- CMBS* (accessed Mar. 4, 2010) (online at www.newyorkfed.org/markets/talf_operations.html).

[ix] This number is derived from the unofficial 1:10 ratio of the value of Treasury loan guarantees to the value of Federal Reserve loans under the TALF. U.S. Department of the Treasury, *Fact Sheet: Financial Stability Plan* (Feb.10, 2009) (online at www.financialstability.gov/docs/fact-sheet.pdf) (describing the initial $20 billion Treasury contribution tied to $200 billion in Federal Reserve loans and announcing potential expansion to a $100 billion Treasury contribution tied to $1 trillion in Federal Reserve loans). Because Treasury is responsible for reimbursing the Federal Reserve Board for $20 billion of losses on its $200 billion in loans, the Federal Reserve Board's maximum potential exposure under the TALF is $180 billion.

[x] It is unlikely that resources will be expended under the PPIP Legacy Loans Program in its original design as a joint Treasury-FDIC program to purchase troubled assets from solvent banks. See also Federal Deposit Insurance Corporation, *FDIC Statement on the Status of the Legacy Loans Program* (June 3, 2009) (online at www.fdic.gov/news/news/press/2009/pr09084.html) and Federal Deposit Insurance Corporation, *Legacy Loans Program – Test of Funding Mechanism* (July 31, 2009) (online at www.fdic.gov/news/news/press/2009/pr09131.html). The sales described in these statements do not involve any

Treasury participation, and FDIC activity is accounted for here as a component of the FDIC's Deposit Insurance Fund outlays.

[xi] As of February 25, 2010, Treasury reported commitments of $19.9 billion in loans and $9.9 billion in membership interest associated with the program. On January 4, 2010, the Treasury and one of the nine fund managers, TCW Senior Management Securities Fund, L.P., entered into a "Winding-Up and Liquidation Agreement." U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf).

[xii] Of the $50 billion in announced TARP funding for this program, $36.9 billion has been allocated as of February 4, 2010. However, as of January 2010, only $32 million in non-GSE payments have been disbursed under HAMP. Disbursement information provided in response to Panel inquiry on February 4, 2010; U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf).

[xiii] Fannie Mae and Freddie Mac, government-sponsored entities (GSEs) that were placed in conservatorship of the Federal Housing Finance Housing Agency on September 7, 2009, will also contribute up to $25 billion to the Making Home Affordable Program, of which the HAMP is a key component. U.S. Department of the Treasury, *Making Home Affordable: Updated Detailed Program Description* (Mar. 4, 2009) (online at www.treas.gov/press/releases/reports/housing_fact_sheet.pdf).

[xiv] *See* U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf). A substantial portion of the total $81 billion in loans extended under the AIFP have since been converted to common equity and preferred shares in restructured companies. $19.2 billion has been retained as first lien debt (with $6.7 billion committed to GM, $12.5 billion to Chrysler). This figure ($78.2 billion) represents Treasury's current obligation under the AIFP after repayments.

[xv] *See* U.S. Department of the Treasury, *Troubled Asset Relief Program Transactions Report for Period Ending February 25, 2010* (Mar. 4, 2010) (online at www.financialstability.gov/docs/transaction-reports/3-1-10%20Transactions%20Report%20as%20of%202-25-10.pdf).

[xvi] U.S. Department of Treasury, *Fact Sheet: Unlocking Credit for Small Businesses* (Oct. 19, 2009) (online at www.financialstability.gov/roadtostability/unlockingCreditforSmallBusinesses.html) ("*Jumpstart Credit Markets For Small Businesses By Purchasing Up to $15 Billion in Securities").*

[xvii] This figure represents the current maximum aggregate debt guarantees that could be made under the program, which is a function of the number and size of individual financial institutions participating. Of debt subject to the guarantee, $309 billion is currently outstanding, which represents about 54 percent of the current cap. Federal Deposit Insurance Corporation, *Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program: Debt Issuance Under Guarantee Program* (Dec. 31, 2009) (online at www.fdic.gov/regulations/resources/tlgp/total_issuance12-09.html) (updated Feb. 4, 2010). The FDIC has collected $10.4 billion in fees and surcharges from this program since its inception in the fourth quarter of 2008. Federal Deposit Insurance Corporation, *Monthly Reports on Debt Issuance Under the Temporary Liquidity Guarantee Program* (Nov. 30, 2009) (online at www.fdic.gov/regulations/resources/TLGP/fees.html) (updated Feb. 4, 2010).

[xviii] This figure represents the FDIC's provision for losses to its deposit insurance fund attributable to bank failures in the third and fourth quarters of 2008 and the first, second and third quarters of 2009. Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Fourth Quarter 2008)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_4qtr_08/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Third Quarter 2008)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_3rdqtr_08/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (First Quarter 2009)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_1stqtr_09/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Second Quarter 2009)* (online at www.fdic.gov/about/strategic/corporate/cfo_report_2ndqtr_09/income.html); Federal Deposit Insurance Corporation, *Chief Financial Officer's (CFO) Report to the Board: DIF Income Statement (Third*

Quarter 2009) (online at www.fdic.gov/about/strategic/corporate/cfo_report_3rdqtr_09/income.html). This figure includes the FDIC's estimates of its future losses under loss-sharing agreements that it has entered into with banks acquiring assets of insolvent banks during these five quarters. Under a loss-sharing agreement, as a condition of an acquiring bank's agreement to purchase the assets of an insolvent bank, the FDIC typically agrees to cover 80 percent of an acquiring bank's future losses on an initial portion of these assets and 95 percent of losses of another portion of assets. *See, e.g.,* Federal Deposit Insurance Corporation, *Purchase and Assumption Agreement Among FDIC, Receiver of Guaranty Bank, Austin, Texas, FDIC and Compass Bank* at 65-66 (Aug. 21, 2009) (online at www.fdic.gov/bank/individual/failed/guaranty-tx_p_and_a_w_addendum.pdf). In information provided to Panel staff, the FDIC disclosed that there were approximately $132 billion in assets covered under loss-sharing agreements as of December 18, 2009. Furthermore, the FDIC estimates the total cost of a payout under these agreements to be $59.3 billion. Since there is a published loss estimate for these agreements, the Panel continues to reflect them as outlays rather than as guarantees.

[xix] Outlays are comprised of the Federal Reserve Mortgage Related Facilities. The Federal Reserve balance sheet accounts for these facilities under Federal agency debt securities and mortgage-backed securities held by the Federal Reserve. Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (online at www.federalreserve.gov/datadownload/Choose.aspx?rel=H41) (accessed Mar. 4, 2010). Although the Federal Reserve does not employ the outlays, loans and guarantees classification, its accounting clearly separates its mortgage-related purchasing programs from its liquidity programs. *See* Board of Governors of the Federal Reserve, *Credit and Liquidity Programs and the Balance Sheet*, at 2 (Nov. 2009) (online at www.federalreserve.gov/monetarypolicy/files/monthlyclbsreport200911.pdf).

On September 7, 2008, the Treasury Department announced the GSE Mortgage Backed Securities Purchase Program (Treasury MBS Purchase Program). The Housing and Economic Recovery Act of 2008 provided Treasury the authority to purchase Government Sponsored Enterprise (GSE) MBS. Under this program, Treasury purchased approximately $214.4 billion in GSE MBS before the program ended on December 31, 2009. Treasury received $36 billion in principal and interest payments from these securities. U.S. Department of the Treasury, *Fact Sheet: GSE Mortgage Backed Securities Purchase Program* (Sept. 7, 2008) (online at www.mbaa.org/files/ResourceCenter/GSE/TreasuryFactSheetonGSEMBSPurchaseProgram.pdf); U.S. Department of the Treasury, *2009 Financial Report of the United States Government*, at vii (updated Mar. 4, 2010) (online at www.fms.treas.gov/fr/09frusg/09frusg.pdf).

[xx] Federal Reserve Liquidity Facilities classified in this table as loans include: Primary credit, Secondary credit, Central bank liquidity swaps, Primary dealer and other broker-dealer credit, Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, Net portfolio holdings of Commercial Paper Funding Facility LLC, Seasonal credit, Term auction credit, Term Asset-Backed Securities Loan Facility, and loans outstanding to Bear Stearns (Maiden Lane I LLC). Board of Governors of the Federal Reserve System, *Factors Affecting Reserve Balances (H.4.1)* (online at www.federalreserve.gov/datadownload/Choose.aspx?rel=H41) (accessed Feb. 4, 2010).